

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

CRIMINAL NO. 12-20456

Plaintiff,

HON. BERNARD A. FRIEDMAN

-vs-

D-1 DOLORES REID,

Defendant.

GOVERNMENT'S SENTENCING MEMORANDUM

The criminal conduct of Dolores Reid resulted in a significant financial set-back for the River Rouge School District, which was experiencing a financial crisis at the time. Brian Flaggs (Flaggs and Associates), through bribes and kickbacks to Ms. Reid, illegally obtained \$165,540 in federal funds. Preferential treatment given to Mr. Flaggs by Ms. Reid, enabled him to receive these funds. When representatives of the Michigan Department of Education investigated in 2011, Ms. Reid's misconduct was discovered. Consequently, the Michigan Department of Education recaptured these Title I funds from the River Rouge School District.¹

The criminal scheme began in August 2010, with the Jump Start Program,

¹The action taken by the Michigan Department of Education was based on the preferential treatment given to Flaggs and Associates, not the bribes, which had not been discovered until the subsequent F.B.I. investigation.

participation of which was based on the fraudulent letter sent out by Ms. Reid. On or about September 18, 2010, Mr. Flaggs received \$37,000 as payment for part of this program. A short time later, Mr. Flaggs gave Ms. Reid \$2,500 in cash. Significantly, on September 15, 2010, the Board of Education for the River Rouge School passed a resolution declaring that the school district was in a financial emergency. Budgetary cuts, including teacher lay-offs, were implemented to avert a financial disaster. Nevertheless, Ms. Reid and Mr. Flaggs continued with their fraud and bribery activities throughout the school year.

The Flaggs/Reid scheme involved four separate programs involving Title I funds and the ongoing payments of cash to Ms. Reid by Mr. Flaggs. The SES program was designed to give parents choices regarding which private providers they should choose to help their children with tutoring or other services. In order to give parents the ability to make the best choices for their children, it was important that there be a level playing field for all the providers and that the administration of the program be fully transparent. The criminal scheme tilted the playing field and hid the ball, thus preventing parents from making the best choices for their children. Moreover, the improper advantage given to Flaggs and Associates by Ms. Reid did not give Mr. Flaggs the incentive to compete with other providers to offer the best quality of tutoring or other remedial help for the district's children. The victims of the defendant's criminal scheme were primarily the students, whose parents were deprived of meaningful choice and whose quality of education was subsequently diminished because of the financial impact on the school district as a result

of Ms. Reid's conduct.

To be sure, Ms. Reid was aware that the money that went to Mr. Flaggs came, not from the coffers of the school district, but from Title I funds, administered by the Michigan Department of Education. She should have realized, however, that if her preferential treatment of Mr. Flaggs were to be uncovered, the school district would suffer financially. As the Director of State and Federal Programs for the school district, she had attended training sessions programs and had been given guidelines about the implementation of the SES program.

As stated in the District Guidelines for SES Implementation

Promotion of Providers - The LEA [local education agency] is responsible for ensuring that the SES selection process is parent-driven and does not utilize bias or coercion in order to promote specific Providers.

Ms. Reid is a highly educated person, with an extensive background in education. She elevated her own interests and that of Mr. Flaggs above the school district, especially the students.

As computed by the probation officer in the PSR, the guideline range for Ms. Reid is 97-121 months. Defendant did not file objections. Because the school district had \$165,540 recaptured by the State of Michigan, the guideline figure for loss (para. 34 of the PSR) is accurate. The River Rouge School District lost that amount. However, the court may consider whether a variance is appropriate because Flaggs and Associates did provide services. Although there is some question as to the quality and extent of the services, the government does not dispute that something was provided.

Recently, the Sixth Circuit addressed this issue in *United States v. Washington*, 2013 WL 1955680 (C.A.6 (Mich.)). In that case, the Detroit Public Schools paid \$3.2 million to the defendant and her co-conspirators, who fraudulently obtained the money for services involving a so-called wellness program for school employees. Apparently, some services were provided, but those services would justify payment for only a small fraction of the \$3.2 million. For purposes of the guideline calculation, the district court, allowing for the fact that some services were provided, made a determination that there had been a loss of at least \$2.5 million. Defendant Washington challenged the calculations and argued that the government should have reduced the loss further. The Sixth Circuit held that the defendant had the burden of proving how much the loss amount should be reduced. The Court found that Washington had not met her burden and affirmed her concurrent sentences of sixty and eighty-four months.

In this case, Ms. Reid has made no effort to prove that the loss amount should be reduced for services rendered. Nevertheless, the government is obliged to inform the court that the investigation in this case has established that Flaggs and Associates did provide some services. Because the court has not been presented with a reliable and justifiable figure, the court could depart from the guideline range in recognition that some services were provided to the River Rouge School District. In light of the circumstances of this case and the fact that the school district had received something of value from Flaggs and Associates, in the form of services, the government does not object to a position that the sentencing guidelines overstate the seriousness of the crime.

Respectfully submitted,

s/ Robert P. Cares
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Dated: May 15, 2013

CERTIFICATE OF SERVICE

I hereby certify that on May 15, 2013 I electronically filed the foregoing document with the Clerk of the Court using the ECF system which will send notification of such filing to the following:

Jeffrey Clothier

s/ Robert Cares
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